

# DNR NEWS

## Energy and Waste Management Bureau

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### **PROPANE PRICES AT RECORD HIGHS; IOWANS WILL FEEL PINCH THIS WINTER**

**DES MOINES** — The price of propane in Iowa this month is \$0.93, a record-high compared to any previous July, and \$0.15 above the retail price of propane one year ago. That is according to the DNR's July 14, 2003 heating fuels survey.

Supplies and prices of crude oil and natural gas are the main causes of high propane prices, according to DNR Data Analyst Jennifer Moehlmann.

Crude oil prices are more than 10 percent higher than last year at this time. "Since propane is produced from crude oil, propane prices are reflecting crude oil's rising price," said Moehlmann.

Additionally, propane is a by-product of natural gas production. Natural gas supplies dipped to an all-time low in spring 2003, causing prices to more than double from levels seen in 2002. Currently, natural gas prices are 70 percent higher than one year ago. According to Moehlmann, propane is traditionally removed from natural gas supplies and used separately, but when natural gas prices are high, producers keep more propane in the product to boost volumes. Since about 48 percent of domestic propane comes from natural gas plants, the reduction in propane production has led to higher prices.

Finally, decreased propane supplies also have caused prices to rise. According to Moehlmann, propane inventories were below normal most of last winter and spring from increased industrial use and home heating. A diversion of propane to Central and South American markets affected by a Venezuelan oil strike also reduced supplies. Inventory levels just recently have climbed into the lower end of the normal range.

Propane prices are likely to remain high through next winter.

"It is virtually certain that farmers and residences will pay more for propane this fall and winter," said Jennifer Moehlmann, DNR data analyst. "The only question is how much of an increase will they experience."

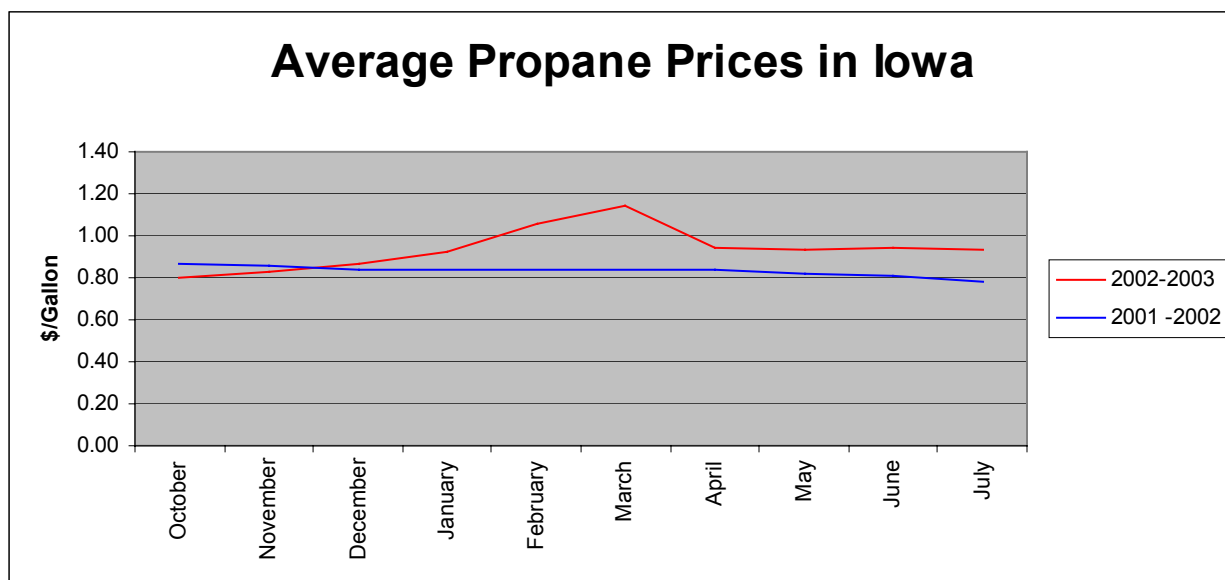
The amount consumers will pay depends on crude oil and natural gas prices, propane inventories, and the demand for propane. If demand for crop drying and home heating is greater than normal,

propane prices could be significantly higher than winter 2003 levels, according to Moehlmann.

Although Iowans cannot affect the price per unit of propane in the short term, they can take steps to reduce the impact on their pockets.

Consumers can take advantage of summer fill programs and fill their tanks before the heating season begins, if their marketers offer these options. This can be an attractive option because propane prices are not likely to drop and traditionally begin rising in mid-August. Moehlmann also recommends that consumers weatherize and insulate homes and buildings, install a programmable thermostat, and purchase high efficiency appliances to reduce the amount of propane consumed.

During the heating season, consumers should watch propane tank levels closely and order more propane when the tank gauge reads 25 percent to avoid costly inspections for out-of-gas calls.



	October	November	December	January	February	March	April	May	June	July
Average Price 2002-2003	0.80	0.83	0.86	0.92	1.05	1.14	0.94	0.93	0.94	0.93
Average Price 2001-2002	0.87	0.86	0.84	0.84	0.84	0.84	0.84	0.82	0.81	0.78